SECRET PT09872

PAGE 01 LIMA 02475 01 OF 03 251228Z

ACTION INR-00

INFO LOG-00 NP-00 ACQ-00 CIAE-00 SMEC-00 INL-01 DODE-00 WHA-00 DS-00 TEDE-00 LAB-01 ACE-00 SSO-00 DOEE-00 DOTE-00 EB-00 EUR-01 FAAE-00 FBIE-00 VC-01 NSAE-00 PM-00 VCE-00 AC-01 NRRC-00 ACE-00 SNIS-00 NISC-00 PMB-00 NFAT-00 SAS-00 DSCC-00 DRL-02 G-00 /007W -----4F97A7 251230Z /38

FM AMEMBASSY LIMA TO SECSTATE WASHDC IMMEDIATE 4092 INFO AMEMBASSY BOGOTA AMEMBASSY CARACAS AMEMBASSY BRASILIA AMEMBASSY QUITO AMEMBASSY SANTIAGO AMEMBASSY BUENOS AIRES AMEMBASSY LA PAZ

S E C R E T SECTION 01 OF 03 LIMA 002475

SIPDIS

DEPARTMENT FOR INR/B

AMEMBASSY MOSCOW USCINCSO MIAMI FL

E.O. 12958: DECL: 4/24/05
TAGS: PINR PGOV PREL PGOV PREL PGOV PREL PE SECRET PAGE LIMA OF PINR PE SECRET PAGE LIMA LIABILITIES

REFS: (A) LIMA 1638

- 11. (U) CLASSIFIED BY AMBASSADOR JOHN HAMILTON, REASONS 1.5 B AND D
- 12. (S) SUMMARY: PRESIDENTIAL ASPIRANT ALEJANDRO TOLEDO'S CHARISMA, ABILITY TO APPEAL TO VARIOUS AUDIENCES, INCLUDIN PERU'S INDIGENOUS AND POOREST COMMUNITIES, AND POSITIVE HUMAN RIGHTS AND ECONOMIC MESSAGE HAVE HELPED TO CATAPULT HUMAN RIGHTS AND ECONOMIC MESSAGE HAVE HELPED TO CATAPULT HIM INTO A RUN-OFF ELECTION WITH PRESIDENT FUJIMORI. HIS NEGATIVES INCLUDE A HOT TEMPER, A TENDENCY TOWARD LECTURING, SOME DOUBTS ABOUT HIS ECONOMIC CREDENTIALS, AND A REPUTATION FOR HAVING BEEN A PHILANDERER AND OCCASIONALLY HEAVY DRINKER. WHILE TOLEDO WON FAVOR WITH MIDDLE CLASS STUDENTS FOR DONNING A RED HEAD BAND AND LEADING 50,000 PROTESTORS TO THE PRESIDENTIAL PALACE AFTER THE POLLS CLOSED APRIL 9, PROFUJIMORI SUPPORTERS HAVE ALREADY BRANDED HIM A RABBLE ROUSER FOR THE SAME REASON. PERU 2000 OFFICIALS HAVE ALSO TRIED TO LINK TOLEDO TO THE HIGHLY CONTROVERSIAL EX-PRESIDENT ALAN GARCIA, AND TV TALK SHOWS REVISITED ALLEGATIONS THAT HE REFUSED TO RECOGNIZE PATERNITY AND PROVIDE SUPPORT TO AN ILLEGITIMATE DAUGHTER. OTHER PRO-GOVERNMENT PRESS REPORTED HE AND HIS WIFFE WERE DIVORCED AND HAVE NOT REMARRIED. DOMESTIC VIOLENCE AND DRUG USE ARE AMONG OTHER, UNCONFIRMED RUMORS THAT COULD SURFACE BETWEEN NOW AND THE NEXT ROUND. END SUMMARY

SECRET

PAGE 03 LIMA 02475 01 OF 03 251228Z DARLING OF THE INTERNATIONAL PRESS

- 13. (SBU) TOLEDO'S EARLY YEARS READ LIKE (AND HE PORTRAYS THEM AS) A HOLLYWOOD SCRIPT. (NO LESS THAN 10 U.S. DAILIES AND 2 INTERNATIONAL WEEKLIES INCLUDED HIS RAGS-TO-RICHES STORY IN THEIR COVERAGE OF PERU'S ELECTIONS.) BORN MARCH 28, 1946, TO PARENTS OF 16 CHILDREN (SEVEN OF WHOM DIED PREMATURELY) IN THE SMALL HIGHLAND HANLET OF CABBANA (ANCASH DEPARTMENT), HE GREW UP IN THE SEAPORT TOWN OF CHIMBOTE. BY AGE EIGHT, HE WAS WORKING PART TIME AS A SHOESHINE BOY TO SUPPLEMENT THE FAMILY'S INCOME. IN SECONDARY SCHOOL, HE WON SUPPLEMENT THE FAMILY S INCOME. IN SECONDARY SCHOOL, HE WON RECOGNITION FOR HIS WRITING SKILLS AND SOON AFTER LANDED A JOB WORKING FOR A LOCAL PAPER. IN HIS LAST YEAR OF HIGH SCHOOL (1962-63), HE WON (WITH THE HELP OF U.S. PEACE CORPS VOLUNTEER JOEL MEISNER) A ONE-YEAR ROTARY SCHOLARSHIP TO SAN FRANCISCO UNIVERSITY TO STUDY ECONOMICS.
- 14. (SBU) WORKING DURING HIS FIRST YEAR OF UNIVERSITY STUDIES AS A PART-TIME GAS STATION ATTENDANT, HE PLAYED HIS WAY ONTO THE UNIVERSITY'S SOCCER TEAM AND WON A SCHOLARSHIP. HE GRADUATED IN 1970 WITH A BA IN ECONOMICS AND BUSINESS ADMINISTRATION AND THEN STUDIED AT STANFORD, WHERE HE COMPLETED MASTERS DEGREES IN HUMAN RESOURCES (1971) AND ECONOMICS (1972) AND MARRIED FELLOW STANFORD STUDENT ELIANE KARP, A BELGIAN BORN AMCIT, IN 1972. STARTING IN 1973, HE WORKED ON A PHD IN HUMAN RESOURCES AND COMPLETED HIS COURSEWORK AND EXAMS IN 1976. (NOTE: TOLEDO RECEIVED RESEARCH GRANTS FROM USAID AND THE FORD FOUNDATION DURING 1973-76. WE HAVE NO RECORDS ON HOW HE FINANCED HIS STUDIES 1973-76. WE HAVE NO RECORDS ON HOW HE FINANCED HIS STUDIES SECRET

PAGE 04 LIMA 02475 01 OF 03 251228Z AT STANFORD BETWEEN 1971-1972. TOLEDO DID NO TOLEDO DID NOT COMPLETE HIS PHD IN ECONOMICS OF HUMAN RESOURCES UNTIL 1992.)

- 15. (SBU) BETWEEN 1976 AND 1991, HE WAS A LIMA-BASED CONSULTANT TO THE UN, WORLD BANK, IBD, AND WORKED FOR THE ILO IN GENEVA AND THE OECD IN PARIS. TOLEDO THEN TAUGHT AS A PERMANENT PROFESSOR AT THE GRADUATE SCHOOL OF BUSINESS ADMINISTRATION (ESAN) IN LIMA FROM 1991-1994. DURING THIS SAME PERIOD HE WAS A VISITING SCHOLAR AT HARVARD. (NOTE: TOLEDO DID A STUDY ON MACRO ECONOMIC ISSUES IN 1988 FOR USAID; HE ALSO CONSULTED FOR USAID WHILE AT HARVARD.)
- 16. (SBU) TOLEDO CLAIMS THAT, AFTER FINISHING HIS PHD COURSEWORK IN 1976 (AND IN BETWEEN CONSULTING JOBS), HE ADVISED SEVERAL (UNSPECIFIED) LATIN AMERICAN COUNTRIES. HIS CV SAYS BETWEEN 1983-1991 HE "PROVIDED PERIODICAL TECHNICAL AND INDEPENDENT ADVICE TO PERU'S PRESIDENTS BELAUNDE, GARCIA, AND FUJIMORI," ON EXTERNAL DEBT, STRUCTURAL REFORMS, AND ECONOMIC GROWTH STRATEGIES. (NOTE: FUJIMORI DENIED THAT TOLEDO HAD ANY ASSOCIATION WITH HIS GOVERNMENT.) HE ALSO WORKED AS THE DIRECTOR GENERAL AND VICE MINISTER OF ECONOMICS AND LABOR STUDIES AND THE MINISTRY OF LABOR (1981-1983).

## SECRET

SECRET PT09873

PAGE 01 LIMA 02475 02 OF 03 251229Z

ACTION INR-00

CIAE-00 SMEC-00 INL-01 DS-00 EB-00 EUR-01 LAB-01 VCE-00 AC-01 INFO LOG-00 NP-00 ACO-00 DODE-00 DOEE-00 DOTE-00 FBIE-00 VC-01 NSAE-00 PM-00 WHA-00 FAAE-00 TEDE-00 LAB-01 SSO-00 NRRC-00 ACE-00 SNIS-00 NISC-00 PMB-00 NFAT-00 DSCC-00 DRL-02 G-00 SAS-00 /007W

O 251230Z APR 00
FM AMEMBASSY LIMA
TO SECSTATE WASHDC IMMEDIATE 4093
INFO AMEMBASSY BOGOTA
AMEMBASSY CARACAS
AMEMBASSY BRASILIA
AMEMBASSY QUITO
AMEMBASSY SANTIAGO
AMEMBASSY BUENOS AIRES
AMEMBASSY LA PAZ
AMEMBASSY MOSCOW
USCINCSO MIAMI FL

S E C R E T SECTION 02 OF 03 LIMA 002475

SIPDIS

DEPARTMENT FOR INR/B

E.O. 12958: DECL: 4/24/05

PAGE 02 LIMA 02475 02 OF 03 251229Z SUBJECT: ALEJANDRO TOLEDO BIOGRAPHY: POLITICAL ASSETS AND LIABILITIES

17. (C) TOLEDO RAN FOR PRESIDENT IN 1995, COMING OUT OF NOWHERE TO PEAK AT 15 PERCENT BEFORE FADING TO THREE PERCENT (AFTER BEING ACCUSED OF TIES TO THE CLAE PYRAMID SCHEME --SEE BELOW) AND A FOURTH-PLACE FINISH. HIS CAMPAIGN CENTERED ON JOB CREATION AND INSTITUTIONALIZING PERU'S PRIVATIZATION PROGRAM. ACCORDING TO EMBASSY FILES, TOLEDO MAINTAINED CLOSE CONTACTS TO THE FUJIMORI GOVERNMENT AFTER THE ELECTION AND WAS MANEUVERING TO LAND A HIGH-PROFILE MINISTRY OF TRADE OR FINANCE JOB THAT ULTIMATELY NEVER MATERIALIZED. HE RETURNED TO HIS JOB AT ESAN AND BECAME DIRECTOR OF THE RESEARCH AND INTERNATIONAL DEVELOPMENT DEPARTMENT IN 1998. A RELIABLE AND REGULAR EMBASSY CONTACT, HE VOICED HIS INTENTION TO RUN FOR PRESIDENT IN 2000 TO THE DCM IN NOVEMBER 1996.

## BLACK MARK I: THE CLAE SCANDAL

18. (SBU) TOLEDO'S REPUTATION IN THE 1995 ELECTIONS SUFFERED FROM ALLEGATIONS OF TIES TO THE 1993 COLLAPSE OF A MULTI-MILLION DOLLAR PYRAMID SCHEME (CALLED CLAE -- THE LATIN AMERICAN CENTER OF BUSINESS ADVICE) IN WHICH THOUSANDS OF PERUVIANS LOST THEIR SAVINGS AND SEVERAL PEOPLE WERE CONVICTED OF FRAUD. TOLEDO'S DIRECT INVOLVEMENT WAS NEVER ESTABLISHED, BUT HE HAD WELL KNOWN PERSONAL (AND ALLEGED PROFESSIONAL) TIES TO CLAE'S OWNERS, CARLOS MANRIQUE AND HIS WIFE VIOLETA MORI, BOTH OF WHOM ARE IN JAIL AND HAVE SECRET

PAGE 03 LIMA 02475 02 OF 03 251229Z SUBSEQUENTLY STATED THAT TOLEDO HAD WORKED FOR CLAE (A CHARGE HE DENIES). TOLEDO HAS BEEN ACCUSED OF HELPING HIS BROTHER WITHDRAW MONEY BEFORE CLAE'S COLLAPSE. THE CLAE STORY RESURFACED IN MARCH 2000 AS TOLEDO'S POLL NUMBERS GREW. PRO-GOVERNMENT DAILY EXPRESO AND YELLOW PRESS PAPERS PRINTED PICTURES OF TOLEDO AND MANRIQUE IN BOSTON. TOLEDO ADMITTED THAT HE AND MANRIQUE HAD BEEN PERSONAL FRIENDS BUT DENIED ANY BUSINESS ASSOCIATION. THE CLAE STORY RECIRCULATED DOUBTS ABOUT TOLEDO, BUT NOTHING NEW TURNED UP.

ILLEGITIMATE CHILD, DIVORCE

- (C) ON MARCH 28, LUCRECIA OROZCO ZAPATA APPEARED ON A POPULAR DAYTIME TV TALK SHOW AND ALLEGED THAT TOLEDO HAD FATHERED HER SIX-YEAR OLD DAUGHTER AND REFUSED TO RECOGNIZE FATHERED HER SIX-YEAR OLD DAUGHTER AND REFUSED TO RECOGNIZE AND SUPPORT HER. THOUGH TOLEDO HAD WON TWO PATERNITY COURT JUDGMENTS SEVERAL YEARS AGO, THE SHOW'S HOSTESS, LAURA BOZZO, CLAIMED THE COURTS WERE CORRUPT AND HAD IGNORED A POSITIVE BLOOD TYPE MATCH. BOZZO LED THE TV STUDIO AUDIENCE IN CHANTS CALLING ON TOLEDO TO TAKE A DNA TEST FOR SEVERAL DAYS THEREAFTER. TOLEDO REFUSED COMMENT ON THE CHARGES, NOTED THE COURTS' PREVIOUS RULINGS, AND SAID HE HAD ONLY ONE WIFE AND CHILD. OUR FILES CONTAIN NO MENTION OF OROZCO, BUT EMBASSY SOURCES TELL US THAT TOLEDO DATED HER OPENLY IN THE EARLY 1990S AFTER HE AND HIS WIFE SEPARATED SOMETIME IN 11988.
- 110. (SBU) IN THE LAST TWO WEEKS LEADING TO THIS YEAR'S ELECTIONS, EXPRESSO BROKE A STORY THAT TOLEDO AND HIS WIFE

PAGE 04 LIMA 02475 02 OF 03 251229Z
HAD DIVORCED IN 1992, COMPLETE WITH A PHOTOCOPY OF THE
WASHINGTON, DC DIVORCE DECREE. EXPRESSO CLAIMED THAT TOLEDO
HAD COMMITTED PERJURY WHEN HE CLAIMED TO BE MARRIED IN AN
APPLICATION FOR OFFICIAL DOCUMENTS IN 1997. TOLEDO REFUSED
COMMENT ON WHETHER HE AND KARP HAD EVER DIVORCED OR REMARRIED.

OTHER DIRTY LAUNDRY

(C) TOLEDO'S DOMESTIC PROBLEMS WERE WIDELY KNOWN WITHIN THE MISSION COMMUNITY BECAUSE BOTH HE AND HIS WIFE HAD TIES TO USAID. ELIANE KARP WORKED FOR USAID LIMA FROM 1985-87 AND HAD A REPUTATION FOR BEING BRILLIANT BUT UNRELIABLE AND DIFFICULT TO WORK WITH. SHE SPOKE FLUENT QUECHUA AND WAS ACTIVE IN LIMA'S SMALL JEWISH COMMUNITY. MISSION STAFF RECALL HER HAVING MARITAL DIFFICULTIES. THERE WERE ALSO STORIES THAT SHE WAS A VICTIM OF SPOUSAL ABUSE. USAID DECIDED NOT TO RENEW HER CONTRACT IN 1987 (MAINLY BECAUSE HER WORK ATTENDANCE BECAME TOO UNPREDICTABLE AS HER MARRIAGE CAME UNDER GROWING STRESS) AND IN JANUARY 1988 SHE SEPARATED FROM TOLEDO AND FOUND EMPLOYMENT IN THE WORLD BANK IN WASHINGTON. EVENTUALLY SHE MOVED TO ISRAEL UNTIL SHE AND

SECRET

SECRET PT09876

LIMA 02475 03 OF 03 251229Z PAGE 01

ACTION INR-00

TNFO LOG-00 NP-00ACO-00 CIAE-00 SMEC-00 INL-01 DODE-00 DOEE-00 DOTE-00 FBIE-00 VC-01 WHA-00 DS-00 TEDE-00 LAB-01 EB-00 EUR-01 VCE-00 AC-01 FAAE-00 NRRC-00 SNIS-00 NISC-00 ACE-00 NSAE-00 PM-00 SSO-00 PMB-00 NFAT-00 DSCC-00 DRL-02 G-00 SAS-00 /007W ----4F97BD 251231Z /38

O 2512307 APR 00 FM AMEMBASSY LIMA TO SECSTATE WASHDC IMMEDIATE 4094 INFO AMEMBASSY BOGOTA AMEMBASSY CARACAS AMEMBASSY BRASILIA AMEMBASSY QUITO AMEMBASSY SANTIAGO AMEMBASSY BUENOS AIRES

AMEMBASSY LA PAZ AMEMBASSY MOSCOW USCINCSO MIAMI FL

S E C R E T SECTION 03 OF 03 LIMA 002475

SIPDIS

DEPARTMENT FOR INR/B

E.O. 12958: DECL: 4/24/05

TAGS: PINR PGOV PREL PGOV PREL PGOV PREL PE SECRET PAGE LIMA OF PINR PE SECRET PAGE LIMA OF PINR PE SECRET PAGE LIMA OF

PAGE 02 LIMA 02475 03 OF 03 251229Z SUBJECT: ALEJANDRO TOLEDO BIOGRAPHY: POLITICAL ASSETS AND LIABILITIES

TOLEDO RECONCILED IN LATE 1996.

- (C) SINCE THEN KARP HAS WORKED AS A MANAGER IN AN AGRICULTURE BANK. THOUGH CREDITED WITH HELPING TOLEDO'S CAMPAIGN BY USING HER KNOWLEDGE OF PERU AND FLUENT QUECHUA TO APPEAL TO VOTERS, SHE HAS COME UNDER ATTACK FROM THE YELLOW PRESS AND OTHERS FOR HER LIBERAL VIEWS AND STATUS AS A FOREIGNER. SOURCES CLOSE TO TOLEDO CONFIRM THAT KARP URGED HER HUSBAND TO DON A HEADBAND AND LEAD PROTESTERS IN A MARCH ON THE PRESIDENTIAL PALACE AFTER THE POLLS CLOSED APRIL 9, A DECISION THAT MANY PERUVIAN OPINION MAKERS FOUND QUESTIONABLE.
- 13. (S) A FUJIMORI POLLSTER AND OTHER PRO-GOVERNMENT
  SOURCES HAVE CONVEYED TO CURRENT AND FORMER EMBOFFS THAT THE
  GOP HAS EVIDENCE OF DRUG (INCLUDING COCAINE) USE BY TOLEDO;
  JUST WHEN THE DRUG USE IS SUPPOSED TO HAVE OCCURRED IS
  UNCLEAR. IT MAY HAVE BEEN DURING TOLEDO'S STUDENT DAYS AT THE UNIVERSITY OF SAN FRANCISCO AND STANFORD 25-30 YEARS AGO. THUS FAR, THERE IS NOTHING TO SUGGEST HE CONTINUED,

BUT THIS ISSUE COULD PROVE EXPLOSIVE IN THE LEAD UP TO THE SECOND ROUND.

COMMENT

 $\underline{\ }$  114. (S) THE FUJIMORI CAMP SEEMS INTENT ON MAKING CHARACTER A SECRET

PAGE 03 LIMA 02475 03 OF 03 251229Z
CENTRAL ISSUE IN THE SECOND ROUND (I.E., CONTINUE WITH SMEAR TACTICS), AS EVERYONE FROM VICE PRESIDENTIAL CANDIDATE TUDELA ON DOWN HAS FOUND REASONS NOT TO SUPPORT HUMAN RIGHTS OMBUDSMAN JORGE SANTISTEVAN'S PROPOSAL FOR AN ELECTORAL CODE OF CONDUCT AND ETHICS TRIBUNAL. FUJIMORI'S SUPPORTERS HAVE ALREADY PORTRAYED TOLEDO AS A RABBLE ROUSING DEMAGOGUE CUT IN THE MOLD OF ALAN GARCIA. WE EXPECT PRO-GOVERNMENT JOURNALISTS TO EGG TOLEDO TO ISSUE AN ON-THE-RECORD DENIAL OF DRUG USE AND DOMESTIC VIOLENCE, FOLLOWED BY LEAKING OF WHATEVER EVIDENCE THE GOVERNMENT HAS. FOR HIS PART, TOLEDO IS LIKELY TO REFUSE ANY COMMENT ON THE ALLEGATIONS. WE SHOULD ALSO REFUSE COMMENT.

HAMILTON

SECRET

>